

**CITY OF BEDFORD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 7. Long-Term Liabilities (Continued)**

Details of long-term indebtedness are as follows:

General Obligation Bonds:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Virginia Public School Authority						
Refunding	6.6-8.6	12/15/93	2008	\$ 1,700,000	\$ 155,000	\$ -
Public Improvement	2.0-3.6	12/01/03	2013	\$ 1,460,000	1,065,000	-
Virginia Resources Authority:						
Taxable Water and Sewer	2.5	06/23/98	2019	\$ 5,225,000	-	3,630,444
Solid Waste Disposal System						
Revenue	3.65-4.9	03/01/97	2008	\$ 1,230,000	-	140,000
Solid Waste Management						
Refunding	4.1-4.85	06/28/01	2013	\$ 2,375,000	-	1,325,000
Water and Sewer	3.1-4.85	06/06/02	2017	\$ 2,005,000	-	1,475,000
Virginia Revolving Loan Fund:						
Water and Sewer	0.0	04/25/02	2022	\$ 2,866,300	-	2,221,382
Virginia Revolving Loan Fund:						
Water and Sewer	0.0	09/27/01	2022	\$ 1,800,000	-	1,350,000
Refunding	3.58	06/27/02	2009	\$ 1,498,900	300,600	-
Public Improvement	3.0	10/01/04	2010	\$ 1,200,000	-	562,396
Public Improvement	3.79-4.12	11/30/05	2026	\$ 2,766,968	-	2,652,720
Public Improvement	3.92	08/25/06	2009	\$ 500,000	-	500,000
					1,520,600	13,856,942
				Less deferred costs	(5,089)	(83,111)
				Plus bond premium	-	16,233
					<u>\$ 1,515,511</u>	<u>\$ 13,790,064</u>

Revenue Bonds:

Virginia Resources Authority:						
Taxable Water and Sewer	0.0	01/91	2011	\$ 3,990,672	\$ -	\$ 911,837
Electric System Refunding	3.0-4.13	08/05	2025	\$ 12,560,000	-	11,790,000
Taxable Lease	7.81	06/96	2026	\$ 2,630,000	-	2,235,000
Electric System	3.89-4.17	11/05	2026	\$ 2,064,710	-	1,966,696
					-	16,903,533
				Less deferred costs	-	(1,347,843)
				Less bond discount	-	(74,532)
					<u>\$ -</u>	<u>\$ 15,481,158</u>

Other Long-Term Debt:

Literary Fund Loans	3.0	01/98	2019	\$ 1,500,000	\$ 975,000	\$ -
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Capital Leases:

Central Virginia Radio						
communications equipment	5.72	05/96	2011	\$ 387,309	\$ 131,861	\$ -
Equipment Lease	3.52	11/05	2011	717,885	584,066	-
					<u>\$ 715,927</u>	<u>\$ -</u>

Bonds issued between 1991 and 1998 are callable subject to a maximum premium of 2.5%.

## CITY OF BEDFORD, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2007

#### Note 8. Landfill Closure and Postclosure Care Costs

**Closed Landfill:** The City closed its former landfill site in 1994. In accordance with federal and state laws, the City placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The cumulative amount of estimated closure and postclosure care costs to date for this site, less cash paid for such costs to date, totals \$2,296,195. The presence of certain contaminants from the closed landfill has been detected in the groundwater on adjacent property. The estimated liability is based on the Virginia Department of Environmental Quality ("DEQ") accepting the active remedy proposed by the City as discussed below. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. This amount is included in the landfill closure and postclosure liability in the Solid Waste enterprise fund.

During the current year, the City purchased certain property adjacent to the closed landfill for a price of \$725,000. The purchase price was approximately \$392,000 greater than fair market value and was recorded as a liability in the prior year. The landowner had filed suit against the City for damages from groundwater contamination. As part of the purchase agreement, both parties mutually released each other from all claims.

**Open Landfill:** The City's current landfill site began accepting waste in August 1994. State and federal laws require the City to place a final cover on this site when it stops accepting waste and to perform maintenance and monitoring functions at this site for thirty years after closure. Although closure and postclosure care costs are paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The closure and postclosure liability at June 30 includes \$1,759,805 for this site, which represents the cumulative amount of estimated closure and postclosure care costs of \$2,152,121 reported to date, based on the use of approximately 81.8% of the estimated capacity of the landfill. The City constructed a solid waste transfer station and is shipping all waste except construction debris to another locality. The City expects to close the landfill in 2020. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has agreed to form a new regional landfill authority in conjunction with the City of Lynchburg, Campbell County, and Nelson County. It is expected that the City will begin transferring all of its future solid waste to landfills that the authority will operate.

The City uses the financial test method of demonstrating assurance for closure and postclosure care cost.

#### Note 9. Net Assets/Fund Equity

**Reserved Fund Balance:** Fund balance reserves are used to indicate the portion of fund balance that is not available for appropriation or is legally segregated for a specific future use. Fund balance is reserved in the General Fund for future operating costs of the cemetery, for encumbrances related to contractual obligations for which goods or services have not been received, for amounts due from Bedford County for the repayment of debt related to the joint tourism agreement, and future VCDG and E-911 expenditures.

## CITY OF BEDFORD, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2007

#### Note 9. Net Assets/Fund Equity (Continued)

**Designated Fund Balance:** Designations of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Fund balance is designated in the General Fund for payment of retired employees' life insurance.

**Deficit Net Assets:** At June 30, the Solid Waste Fund had a deficit in net assets of \$(4,631,747). This deficit is anticipated to be recovered through future revenues, as well as possible transfers from the General Fund.

#### Note 10. Defined Benefit Pension Plan

##### **Plan Description**

The City contributes to the Virginia Retirement System ("VRS"), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System").

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers and firefighters) and at age 50 with 30 years of service if elected by the employer (age 50 with at least 25 years experience for participating local law enforcement officers and firefighters) payable monthly, for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service. AFC is defined as the highest consecutive 36 months of compensation. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5.00% per year beginning in their second year of retirement. Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

##### **Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The employer has assumed this 5.00% member contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2007 was 18.01% of annual covered payroll. The City's contribution rate includes the employee's share of 5.00% paid by the employer.

## CITY OF BEDFORD, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2007

#### Note 10. Defined Benefit Pension Plan (Continued)

##### Funding Policy (Continued)

The City has an agreement with the County of Bedford to operate the schools under a joint contract. Information relating to the employees of the Bedford County Schools is included in Bedford County's financial statements.

##### Annual Pension Cost

For fiscal year 2007, the City's annual pension cost of \$874,241, was equal to its required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases of 3.50% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's assets is equal to the modified fair value of assets. This method uses techniques that smooth the effects of short-term volatility in the fair value of assets over a 20 year period.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	\$ 874,241	100%	\$ -
June 30, 2006	\$ 842,735	100%	\$ -
June 30, 2005	\$ 790,351	100%	\$ -

#### Note 11. Service Contracts

The following is a summary of significant service contracts:

##### Electrical Service

An agreement dated July 1, 2006 with American Municipal Power – Ohio, Inc. expiring on June 30, 2008 was amended in April 2007 to extend the agreement through December 31, 2017.

##### Shared Services

Bedford County provides courthouse facilities and a centralized dispatching facility, as well as the services of the Sheriff, Commonwealth Attorney and Clerk of the Circuit Court to the City. The City reimburses the County for these services based on the total population of both localities as reported in the most recent census. For the current fiscal year, the City's population was 9.45% of the total population. In addition, the County provides health and welfare services to the City through the Departments of Health and Social Services, respectively. The City reimburses the County for these services based on the actual caseload for each fiscal year.

## **CITY OF BEDFORD, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS June 30, 2007**

#### **Note 11. Service Contracts (Continued)**

##### **Shared Services (Continued)**

Pursuant to an agreement dated June 28, 1988, the County provides public school services and educational programs for the students of the City. The City reimburses the County for its share of the net expenses based on its percentage of students as determined by the March 30 Average Daily Membership ("ADM") of each fiscal year. Further, the City provides fire services to the County and the County reimburses the City for these services based on the number of fire calls answered.

#### **Note 12. Property Taxes**

Property taxes are levied on a fiscal year basis on July 1, the assessment date, and become a lien as of that date. The assessed value is as of July 1 for real property and January 1 for personal property. Real estate taxes are payable in four quarterly installments on September 30, December 31, March 31, and June 5. The real estate tax rate for fiscal year 2007 was \$.81 per \$100 of assessed value.

Personal property taxes are payable on December 5. A penalty of 10% for late payment and interest at the rate of 10% is charged on unpaid balances. The City bills and collects its own property taxes. Years 2007 and 2006 remain unchanged.

#### **Note 13. Risk Management**

The Risk Management programs of the City are as follows:

##### **Workers' Compensation**

The City is a member of the Virginia Municipal Group Self-Insured Association for workers' compensation insurance. Benefits are provided by the Commonwealth of Virginia. Premiums are based on covered payroll, job rates and claims experience. Total premiums for fiscal year 2007 were approximately \$101,000.

##### **General Liability and Other**

The City purchases insurance coverage for exposure related to property, general, boiler and machinery, flood, accident and automobile liability from Virginia Municipal Liability Pool. The City's property and contents are insured up to a limit of approximately \$55 million. The City maintains an additional \$5,000,000 umbrella policy over all forms of liability insurance. The City's Public Officials and Law Enforcement Liability and the School Board Legal Liability coverages, with a \$1,000,000 limit for each, are provided through a policy with the Commonwealth of Virginia. Total premiums for fiscal year 2007 were approximately \$217,000.

## CITY OF BEDFORD, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2007

#### Note 13. Risk Management (Continued)

##### Healthcare

The City provides healthcare coverage for employees through a policy with MAMSI. The City contributes the required premium amount for single coverage for each employee. Dependents of employees are also covered by the policy provided they pay the additional premium to the City. Total premiums for fiscal year 2007 were approximately \$522,118.

##### Other

There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

#### Note 14. Leases

The City is the lessor of certain equipment relating to an electric substation for a term of thirty years, which began October 1995. The lessee is required to provide all maintenance and repairs. The lease is classified as a direct financing lease since the lessee will purchase the equipment from the City at the end of the lease term.

Following are the components of the net investment in the direct financing lease:

Total minimum lease payments	\$ 6,617,443
Guaranteed residual value	1,369,086
Unearned income	<u>(5,473,803)</u>
Net investment in direct financing lease	<u>\$ 2,512,726</u>

Monthly lease payments are \$29,152 through May 2026, at which time the guaranteed residual value is due.

#### Note 15. Commitments and Contingencies

##### Grant Programs

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, would not be material to the financial position of the City.

##### Litigation

A certain lawsuit is pending against the City. In the opinion of the City's management, after consulting with counsel, the potential loss, given insurance coverage, will not materially affect the City's financial position.

## CITY OF BEDFORD, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**Note 15. Commitments and Contingencies (Continued)**

**Reservoir Upgrade**

The City is required by a regulatory agency to make significant improvements to its reservoir. The modifications mandate that a compacted concrete dam be constructed to replace the current earthen dam. The City is expected to derive an increase in the capacity and useful life of the reservoir and accordingly will not record a liability for the project. The cost is projected to be between \$5 and \$6 million. During 2007, the City obtained financing in the amount of \$500,000 at an interest rate of 3.92% to finance the design and engineering phase of construction. The remaining amount is expected to be financed by long-term debt.

**Environmental Remediation**

The City, along with a number of other parties, has been designated by the Environmental Protection Agency ("EPA") as a potentially responsible party in relation to business conducted with a vendor. The EPA alleges that the vendor did not adequately contain and dispose of PCB's removed from unusable electric transformers and other electrical components provided by various customers including the City during the 1970's. As a result, PCB contamination has been found in surrounding streams and reservoirs at the site.

The City is defending this allegation by the EPA and is researching its records and obtaining depositions from former employees to determine whether the City ever used the services of the vendor to dispose of unusable electrical transformers vs. selling the vendor excess transformers. The City does not believe that any significant liability will result from the matter; however, if the City is unsuccessful in defending the claim, potential costs for cleanup at the site have been estimated by the EPA to be anywhere from \$330,000 to \$550,000,000 depending on the significance of the cleanup. The EPA would attempt to recover these costs from the various parties deemed responsible for the environmental damage.

**Note 16. Joint Economic Development and Growth Sharing Agreement**

The City and Bedford County entered into a voluntary agreement dated February 9, 1998 titled "Joint Economic Development and Growth Sharing Agreement." The agreement provides for the development of a jointly owned 110-acre industrial park within the City; designation of four economic development areas located in the County adjacent to the City for which water and sewer will be made available; and development of a long range plan to address water and sewer needs in central Bedford County.

The City and County agreed in perpetuity to share equally all local taxes on real estate, personal property and machinery and tools, merchant's capital, sales and use taxes, and all business, professional and occupational taxation and any other taxes generated in respect to properties and activities within the Economic Development Areas (including the Industrial Park site located within the City and four designated areas located within the County).

**CITY OF BEDFORD, VIRGINIA**

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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**Note 17. Other Postemployment Benefits**

The City provides limited healthcare benefits to qualifying retirees until the earlier of age 65 or reaching eligibility for Medicaid and/or Medicare. The City's contributions under this program are accounted for on a current disbursement basis. The City's contribution for the year ended June 30 was approximately \$20,000.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. Management has not completed the process of evaluating the effects of adopting this standard, and is therefore unable to disclose the impact of adoption. This statement will be effective for the year ended June 30, 2009.

**Note 18. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, addresses the accounting and reporting of transactions where an interest in expected cash flows from specific receivables or specific future revenues is exchanged for immediate cash payments, and establishes criteria to determine whether the proceeds received should be an revenue or a liability. The statement also addresses intra-entity transfers of assets (including capital assets), and requires that the transferee should recognize the assets received at the carrying value of the transferor. Management does not believe that the effects of adopting this standard will be material. This statement will be effective for the year ended June 30, 2008.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for certain obligations to address the effects of existing pollution through pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care. Upon the occurrence of certain events, a government is required to estimate expected pollution remediation outlays and determine whether those outlays should be accrued as a liability, or, if appropriate, capitalized when goods and services are received. Management does not believe that the effects of adopting this standard will be material. This statement will be effective for the year ended June 30, 2009.



## **CITY OF BEDFORD, VIRGINIA**

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### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 19. Retroactive Reporting of Infrastructure and Prior Period Adjustment**

As a part of the implementation of GASB Statement No. 34, the City delayed the retroactive reporting of governmental infrastructure placed in service between January 1, 1980 and July 1, 2001 until June 30, 2007. As a result of implementing that standard, the City has adjusted both beginning capital assets and net assets by \$6,646,498 in the governmental activities.

During the process of gathering data related to the retroactive reporting of infrastructure, the City determined that it had failed to capture previous developer contributions of certain water and sewer assets. As a result, both opening net assets and capital assets of the business-type activities and the water and sewer fund have been increased by \$996,873.

**Note 20. Subsequent Event**

In August 2007, City Council voted to relinquish its one-half interest in the operations and property of the Bedford City/County Museum. The Bedford County Board of Supervisors must vote to accept the donation by the City, which has not yet been completed.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF BEDFORD, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN**  
**June 30, 2007**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as of Percentage of Covered Payroll</b>
June 30, 2004	\$ 11,891,838	\$ 15,705,369	\$ 3,813,531	75.72%	\$ 4,353,790	87.59%
June 30, 2005	\$ 12,380,744	\$ 17,509,112	\$ 5,128,368	70.71%	\$ 4,774,738	107.41%
June 30, 2006	\$ 13,088,502	\$ 16,821,731	\$ 3,733,229	77.81%	\$ 4,789,919	77.94%

## **OTHER SUPPLEMENTARY INFORMATION**

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## **NONMAJOR GOVERNMENTAL FUNDS**

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**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Each fund is established on a functional basis and may include one or more grants or other funding sources. Funds in this category include:

**VCDG Fund** – accounts for revenues received from participants in a low-interest home mortgage program.

**E-911 Fund** – accounts for revenues received to support the operations and capital expenditures of the Joint Dispatch Center/E-911 System.

## CITY OF BEDFORD, VIRGINIA

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2007**

	Special Revenue		Total
	VCDG	E-911	Nonmajor
	Fund	Fund	Governmental
			Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 190,768	\$ 245,625	\$ 436,393
Receivables, net	-	973	973
Total assets	<u>\$ 190,768</u>	<u>\$ 246,598</u>	<u>\$ 437,366</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Due to other funds	<u>\$ 190,768</u>	<u>\$ 246,598</u>	<u>\$ 437,366</u>
Fund balance:			
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 190,768</u>	<u>\$ 246,598</u>	<u>\$ 437,366</u>



## CITY OF BEDFORD, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2007**

	Special Revenue		Total Nonmajor Governmental Funds
	VCDG Fund	E-911 Fund	
<b>REVENUES</b>			
Other local taxes	\$ -	\$ 98,733	\$ 98,733
Investment earnings	6,154	-	6,154
Total revenues	6,154	98,733	104,887
<b>EXPENDITURES</b>			
Current:			
Public safety	-	105,458	105,458
Debt service:			
Principal retirement	-	26,733	26,733
Interest and fiscal charges	-	5,033	5,033
Total expenditures	-	137,224	137,224
Excess (deficiency) of revenues over expenditures	6,154	(38,491)	(32,337)
<b>OTHER FINANCING USES</b>			
Transfers out	(190,768)	(246,598)	(437,366)
Net change in fund balances	(184,614)	(285,089)	(469,703)
<b>FUND BALANCES AT JULY 1</b>	184,614	285,089	469,703
<b>FUND BALANCES AT JUNE 30</b>	\$ -	\$ -	\$ -

## CITY OF BEDFORD, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – E-911 FUND  
NONMAJOR GOVERNMENTAL FUND WITH A LEGALLY ADOPTED BUDGET  
Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Other local taxes	\$ 135,000	\$ 135,000	\$ 98,733	\$ (36,267)
Total sources of financial resources	135,000	135,000	98,733	(36,267)
<b>EXPENDITURES</b>				
Current:				
Public safety	150,200	150,200	105,458	44,742
Debt service:				
Principal retirement	27,200	27,200	26,733	467
Interest and fiscal charges	4,600	4,600	5,033	(433)
Total expenditures	182,000	182,000	137,224	44,776
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	(246,598)	(246,598)
Net change in fund balance	\$ (47,000)	\$ (47,000)	\$ (285,089)	\$ (238,089)

# STATISTICAL SECTION

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*This part of the City of Bedford's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.*

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>1-4</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	<b>5-7</b>
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>8-10</b>
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	<b>11-12</b>
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services it provides and the activities it performs.	<b>13-15</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TABLE 1

**City of Bedford, Virginia**  
**Net Assets by Component**  
**Last Five Fiscal Years**  
 (accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 14,745,115	\$ 14,470,547	\$ 13,545,504	\$ 13,153,135	\$ 12,064,211
Unrestricted	2,042,536	1,965,046	2,504,784	3,515,785	4,248,602
Total governmental activities net assets	\$ 16,787,651	\$ 16,435,593	\$ 16,050,288	\$ 16,668,920	\$ 16,312,813
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 11,813,722	\$ 8,371,842	\$ 8,058,562	\$ 3,652,555	\$ 1,687,513
Unrestricted	6,880,977	10,518,305	12,817,093	15,139,520	17,120,145
Total business-type activities net assets	\$ 18,694,699	\$ 18,890,147	\$ 20,875,655	\$ 18,792,075	\$ 18,807,658
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 26,558,837	\$ 22,842,389	\$ 21,604,066	\$ 16,805,690	\$ 13,751,724
Unrestricted	8,923,513	12,483,351	15,321,877	18,655,305	21,368,747
Total primary government net assets	\$ 35,482,350	\$ 35,325,740	\$ 36,925,943	\$ 35,460,995	\$ 35,120,471

**Note:** The City began to report accrual information when it completed GASB Statement 34 in fiscal year 2003.

**Note:** Increased prior year amounts due to retroactive reporting of infrastructure.

TABLE 2

**City of Bedford, Virginia**  
**Changes in Net Assets by Component**  
**Last Five Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Expenses</b>					
<b>Governmental activities</b>					
General government	\$ 1,108,975	\$ 1,255,082	\$ 1,207,094	\$ 1,009,729	\$ 947,472
Judicial administration	20,269	22,108	27,097	11,587	22,602
Public safety	3,491,536	3,147,207	2,792,008	2,693,711	2,432,172
Public works	1,870,534	1,734,423	1,544,583	1,561,611	1,822,153
Parks, recreation and cultural	990,201	947,889	953,698	905,957	846,373
Health and welfare	675,828	558,469	721,935	366,032	491,097
Community development	464,080	518,251	1,123,443	370,323	753,717
Education	7,280,991	6,924,063	6,327,656	6,320,200	5,567,031
Nondepartmental	1,208	7,829	486	11,580	5,665
Interest on long-term debt	137,765	112,811	169,253	161,260	157,533
Total governmental activities	<u>16,041,387</u>	<u>15,228,132</u>	<u>14,867,253</u>	<u>13,411,990</u>	<u>13,045,815</u>
<b>Business-type activities</b>					
Electric	18,798,435	15,305,400	10,252,537	10,125,068	10,673,208
Water and Sewer	3,074,722	3,046,030	2,906,751	2,765,384	2,603,408
Solid Waste	1,789,163	2,097,695	1,049,661	2,989,664	1,160,635
Total business-type activities expense	<u>23,662,320</u>	<u>20,449,125</u>	<u>14,208,949</u>	<u>15,880,116</u>	<u>14,437,251</u>
Total primary government expenses	<u>\$ 39,703,707</u>	<u>\$ 35,677,257</u>	<u>\$ 29,076,202</u>	<u>\$ 29,292,106</u>	<u>\$ 27,483,066</u>
<b>Program Revenues</b>					
<b>Governmental activities</b>					
Charges for services					
General government	\$ 276,964	\$ 259,823	\$ 279,606	\$ 9,053	\$ -
Public Safety	125,411	111,122	77,334	105,953	71,292
Parks, recreation and cultural	105,283	91,610	105,338	252,765	203,145
Operating grants and contributions	5,916,844	5,403,786	5,141,468	4,996,519	4,815,749
Capital grants and contributions	229,931	171,077	262,155	483,588	113,318
Total governmental activities program revenues	<u>6,654,433</u>	<u>6,037,418</u>	<u>5,865,901</u>	<u>5,847,878</u>	<u>5,203,504</u>
<b>Business-type activities</b>					
Charges for services					
Electric	19,686,578	15,600,264	12,944,906	12,285,888	12,750,334
Water and Sewer	2,823,034	2,736,581	2,703,699	2,679,837	2,676,689
Solid Waste	1,130,918	1,045,479	959,414	878,092	1,037,228
Operating grants and contributions	330,314	371,778	201,470	299,228	231,473
Total business-type activities program revenues	<u>23,970,844</u>	<u>19,754,102</u>	<u>16,809,489</u>	<u>16,143,045</u>	<u>16,695,724</u>
Total primary government program revenues	<u>\$ 30,625,277</u>	<u>\$ 25,791,520</u>	<u>\$ 22,675,390</u>	<u>\$ 21,990,923</u>	<u>\$ 21,899,228</u>
<b>Net (expense) revenue</b>					
Governmental activities	\$ (9,386,954)	\$ (9,190,714)	\$ (9,001,352)	\$ (7,564,112)	\$ (7,842,311)
Business-type activities	<u>308,524</u>	<u>(695,023)</u>	<u>2,600,540</u>	<u>262,929</u>	<u>2,258,473</u>
Total primary government net expense	<u>\$ (9,078,430)</u>	<u>\$ (9,885,737)</u>	<u>\$ (6,400,812)</u>	<u>\$ (7,301,183)</u>	<u>\$ (5,583,838)</u>

(Continued)

TABLE 2

**City of Bedford, Virginia**  
**Changes in Net Assets by Component**  
**Last Five Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>General Revenues and Other Changes</b>					
<b>Governmental activities:</b>					
Taxes					
Property taxes	\$ 4,269,862	\$ 3,615,417	\$ 3,568,818	\$ 3,473,488	\$ 3,395,115
Sales taxes	1,017,547	927,493	968,531	869,635	843,739
Business license tax	671,322	617,347	637,336	631,865	609,905
Meals tax	650,068	557,659	521,767	512,743	503,307
Other taxes	537,283	495,420	400,521	380,592	412,599
Intergovernmental revenue not restricted	971,695	982,103	903,654	977,227	917,835
Investment earnings	404,158	343,308	221,008	113,116	156,775
Contribution of property	-	-	-	-	(990,590)
Gain on sale of assets	4,621	26,212	15,128	-	-
Other	22,720	57,037	57,333	714	1,731
Transfers	1,189,736	1,954,023	1,003,825	981,550	1,467,000
Total governmental activities	<u>9,739,012</u>	<u>9,576,019</u>	<u>8,297,921</u>	<u>7,940,930</u>	<u>7,317,416</u>
<b>Business-type activities:</b>					
Investment earnings	685,764	663,538	486,865	497,038	546,077
Other	-	-	-	-	-
Transfers	(1,189,736)	(1,954,023)	(1,003,825)	(981,550)	(1,467,000)
Total business-type activities	<u>(503,972)</u>	<u>(1,290,485)</u>	<u>(516,960)</u>	<u>(484,512)</u>	<u>(920,923)</u>
Total primary government	<u>\$ 9,235,040</u>	<u>\$ 8,285,534</u>	<u>\$ 7,780,961</u>	<u>\$ 7,456,418</u>	<u>\$ 6,396,493</u>
<b>Changes in Net Assets</b>					
Governmental activities	\$ 352,058	\$ 385,305	\$ (703,431)	\$ 376,818	\$ (524,895)
Business-type activities	(195,448)	(1,985,508)	2,083,580	(221,583)	1,337,550
Total primary government	<u>\$ 156,610</u>	<u>\$ (1,600,203)</u>	<u>\$ 1,380,149</u>	<u>\$ 155,235</u>	<u>\$ 812,655</u>

TABLE 3

**City of Bedford, Virginia**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>General Fund</b>										
Reserved	\$ 2,431,433	\$ 1,625,713	\$ 1,583,500	\$ 2,211,940	\$ 747,272	\$ 802,269	\$ 300,510	\$ 662,515	\$ 36,772	\$ -
Unreserved	611,421	759,917	377,825	1,794,152	2,949,240	2,867,473	3,066,188	3,461,705	726,161	1,527,758
Total general fund	<u>\$ 3,042,854</u>	<u>\$ 2,385,630</u>	<u>\$ 1,961,325</u>	<u>\$ 4,006,092</u>	<u>\$ 3,696,512</u>	<u>\$ 3,669,742</u>	<u>\$ 3,366,698</u>	<u>\$ 4,124,220</u>	<u>\$ 762,933</u>	<u>\$ 1,527,758</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,264	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	469,703	455,774	479,407	509,050	536,662	532,812	495,367	456,927	353,336
Total all other governmental funds	<u>\$ -</u>	<u>\$ 469,703</u>	<u>\$ 455,774</u>	<u>\$ 479,407</u>	<u>\$ 509,050</u>	<u>\$ 536,662</u>	<u>\$ 532,812</u>	<u>\$ 498,631</u>	<u>\$ 456,927</u>	<u>\$ 353,336</u>

TABLE 4

**City of Bedford, Virginia**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Revenues</b>										
Taxes	\$ 7,107,098	\$ 6,205,510	\$ 6,088,806	\$ 5,920,497	\$ 5,839,083	\$ 5,695,811	\$ 5,385,880	\$ 5,476,530	\$ 5,383,260	\$ 4,883,768
Permits, privilege fees, and licenses	33,833	25,491	35,221	31,701	33,828	18,686	21,183	24,213	43,183	17,986
Fines and forfeitures	91,148	84,687	41,628	71,577	34,959	22,478	35,210	41,795	48,839	47,321
Revenue from use of money and property	404,157	343,308	221,008	122,171	156,775	257,035	543,651	430,875	390,836	294,327
Charges for services	278,926	275,364	215,394	251,822	205,432	98,070	75,220	72,160	156,870	165,899
Other	8,832	140,076	260,834	98,305	117,299	205,624	163,811	234,488	213,428	237,858
Intergovernmental	7,257,145	6,517,543	6,307,277	6,363,359	5,751,668	5,747,907	5,307,680	5,024,264	4,920,658	4,181,234
Total revenues	15,181,139	13,591,979	13,170,168	12,859,432	12,139,044	12,045,611	11,532,635	11,304,325	11,157,074	9,828,393
<b>Expenditures</b>										
General government	1,041,035	1,415,552	1,456,413	1,085,412	953,974	1,056,528	888,906	919,310	806,879	866,355
Judicial administration	20,269	22,108	27,097	11,587	22,602	22,759	34,594	29,109	26,314	27,780
Public safety	3,305,259	3,120,698	3,122,124	2,516,748	2,211,078	2,234,097	2,267,808	1,947,134	2,154,991	1,755,164
Public works	2,039,525	2,063,237	2,043,948	1,774,348	2,062,111	1,981,739	2,349,870	1,611,825	1,628,381	1,601,194
Parks, recreation and cultural	980,295	908,539	914,838	953,378	833,436	851,716	919,735	782,351	706,469	748,688
Health and welfare	675,828	558,469	721,935	366,032	491,097	688,613	422,997	356,282	231,771	276,326
Education	6,849,211	6,583,537	6,111,105	6,301,173	5,510,608	5,155,699	4,828,153	4,460,758	4,419,987	4,347,700
Community development	381,138	472,557	1,069,227	1,055,270	733,458	511,929	287,659	295,258	822,078	483,602
Nondepartmental	1,208	7,829	486	11,580	5,665	2,665	237,652	7,828	32,041	90,603
Capital projects	-	-	-	-	-	-	-	-	1,528,220	20,387
Debt service	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	24,570	-	42,431	-	-	-	-	-	-
Principal	762,152	626,979	640,018	555,387	625,289	581,776	707,822	2,068,311	503,658	440,000
Interest	132,055	132,589	150,330	141,699	157,568	260,741	253,834	283,265	323,208	285,628
Total expenditures	16,187,975	15,936,664	16,257,521	14,815,045	13,606,886	13,348,262	13,199,030	12,761,431	13,183,997	10,943,427
Excess of revenues over (under) expenditures	(1,006,836)	(2,344,685)	(3,087,353)	(1,955,613)	(1,467,842)	(1,302,651)	(1,666,395)	(1,457,106)	(2,026,923)	(1,115,034)
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	-	717,885	197,925	1,460,000	-	1,498,900	-	1,994,476	-	1,500,000
Payment to refunded bond escrow agent	-	-	-	-	-	(1,482,989)	-	-	-	-
Proceeds from sale of assets	4,621	26,212	15,128	-	-	-	-	-	-	-
Principal payment of capital lease	-	-	(197,925)	-	-	-	-	-	-	-
Transfers in	1,904,366	2,162,023	1,505,875	1,467,000	1,502,637	1,084,989	1,104,367	1,492,090	3,090,985	3,302,201
Transfers out	(714,630)	(208,000)	(502,050)	(485,450)	(35,637)	(18,989)	(161,313)	(226,542)	(1,991,777)	(1,795,439)
Total other financing sources (uses)	1,194,357	2,698,120	1,018,953	2,441,550	1,467,000	1,081,911	943,054	3,260,024	1,099,208	3,006,762
Net change in fund balances	\$ 187,521	\$ 353,435	\$ (2,068,400)	\$ 485,937	\$ (842)	\$ (220,740)	\$ (723,341)	\$ 1,802,918	\$ (927,715)	\$ 1,891,728
Debt service as a percentage of noncapital expenditures	5.52%	4.77%	4.86%	4.71%	5.75%	6.31%	7.29%	18.43%	7.09%	6.64%



**TABLE 5**

**City of Bedford, Virginia**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	Mobile Homes	Total Assessed Value	Total Direct Tax Rate(1)
2007	\$ 395,464,300	\$ 46,294,050	\$ 31,804,750	\$ 7,716,900	\$ 425,900	\$ 481,705,900	0.93
2006	318,993,200	43,796,730	30,216,970	8,913,570	478,800	402,399,270	0.96
2005	313,729,100	41,338,270	30,194,580	10,437,161	486,600	396,185,711	0.95
2004	310,247,885	43,485,320	33,098,380	11,620,498	520,700	398,972,783	0.96
2003	303,930,500	42,366,120	32,527,560	11,338,521	499,500	390,662,201	0.96
2002	280,111,000	42,745,030	49,272,330	11,220,564	562,800	383,911,724	0.98
2001	276,036,900	41,873,067	49,506,720	11,408,544	525,800	379,351,031	0.98
2000	273,096,200	37,570,470	45,324,990	10,913,839	474,800	367,380,299	0.96
1999	270,067,216	36,990,630	42,489,190	9,570,920	520,100	359,638,056	0.97
1998	223,641,700	35,404,770	41,854,980	9,418,822	520,600	310,840,872	0.99

**Notes:** Property is assessed at full market value. Properties are reassessed once every 4 years.

(1) Per \$1,000 of assessed value.

**TABLE 6**

**City of Bedford, Virginia**  
**Principal Electrical Customers**  
**Current Year**

Customer	Fiscal Year 2007		
	Revenue	Rank	Percentage of Total City Electrical Revenue
Wheelabrator Abrasives	\$ 1,871,211	1	10.37%
Bedford Weaving	693,591	2	3.84%
Golden West	607,495	3	3.37%
Rubatex International	379,691	4	2.10%
Smyth Companies	370,151	5	2.05%
City of Bedford	309,365	6	1.72%
Wal-Mart	282,433	7	1.57%
Liberty High School	267,570	8	1.48%
Frank Chervan	260,473	9	1.44%
Bedford Memorial Hospital	230,651	10	1.28%
	<u>\$ 5,272,631</u>		<u>29.22%</u>

TABLE 7

**City of Bedford, Virginia**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 4,416,965	\$ 4,251,913	96.26%	\$ -	\$ 4,251,913	96.26%
2006	3,860,961	3,552,698	92.02%	78,423	3,631,121	94.05%
2005	3,664,491	3,445,326	94.02%	66,309	3,511,635	95.83%
2004	3,650,823	3,407,560	93.34%	127,558	3,535,118	96.83%
2003	3,577,953	3,342,430	93.42%	67,632	3,410,062	95.31%
2002	3,494,359	3,259,443	93.28%	40,860	3,300,303	94.45%
2001	3,455,872	3,002,760	86.89%	330,114	3,332,874	96.44%
2000	3,393,161	3,289,224	96.94%	47,657	3,336,881	98.34%
1999	3,302,804	3,206,752	97.09%	61,944	3,268,696	98.97%
1998	2,924,727	2,865,092	97.96%	51,462	2,916,554	99.72%

**Source: Tax Records of the City.**

TABLE 8

**City of Bedford, Virginia**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt limit	\$ 40,289,520	\$ 32,757,867	\$ 32,374,542	\$ 32,154,124	\$ 31,492,480	\$ 29,090,080	\$ 28,717,501	\$ 28,371,674	\$ 27,930,918	\$ 23,270,803
Total net debt applicable to limit	15,377,542	16,664,323	15,551,377	15,924,181	15,354,958	14,028,228	10,946,132	10,716,683	6,381,201	5,725,392
Legal debt margin	\$ 24,911,978	\$ 16,093,544	\$ 16,823,165	\$ 16,229,943	\$ 16,137,522	\$ 15,061,852	\$ 17,771,369	\$ 17,654,991	\$ 21,549,717	\$ 17,545,411
Total net debt applicable to the limit as a percentage of debt limit	38.17%	50.87%	48.04%	49.52%	48.76%	48.22%	38.12%	37.77%	22.85%	24.60%

**Legal Debt Margin Calculation for Fiscal Year 2007**

Assessed value	\$ 402,895,200
Debt limit (10% of assessed value)	\$ 40,289,520
Less debt applicable to limit:	
General obligation bonds	(15,377,542)
Other long-term obligations	-
Legal debt margin	\$ 24,911,978

TABLE 9

**City of Bedford, Virginia**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt				Percentage of Actual Value of Taxable Property	Per Capita	Other Governmental Activities Debt		
	General Obligation Bonds	Redevelopment Bonds	Less: Amounts Restricted to Repaying Principal				Notes Payable	Capital Leases	Other Debt
			Bonds	Principal					
2007	\$ 1,520,600	\$ -	\$ -	\$ 1,520,600	0.32%	245	\$ -	\$ 715,927	\$ 975,000
2006	2,047,200	-	-	2,047,200	0.51%	330	-	876,479	1,050,000
2005	2,573,300	-	-	2,573,300	0.65%	414	-	184,473	1,200,000
2004	3,091,400	-	-	3,091,400	0.77%	497	-	231,391	1,200,000
2003	2,018,100	-	-	2,018,100	0.52%	323	-	325,078	1,275,000
2002	2,413,900	-	-	2,413,900	0.63%	385	-	479,565	1,350,000
2001	2,715,000	-	-	2,715,000	0.72%	430	-	626,341	1,425,000
2000	3,170,000	-	-	3,170,000	0.86%	503	38,218	765,945	1,500,000
1999	3,625,000	-	-	3,625,000	1.01%	585	74,206	348,849	1,500,000
1998	4,075,000	-	-	4,075,000	1.31%	657	150,392	-	1,500,000

Fiscal Year	Business-type Activities				Percentage of Personal Income	Per Capita
	Revenue Bonds	General Obligation Bonds	Capital Leases	Total Primary Government		
2007	\$ 16,903,533	\$ 13,856,942	\$ -	\$ 33,972,002	NA	\$ 5,479
2006	17,714,178	14,617,123	-	36,304,980	NA	5,856
2005	17,007,099	12,978,077	-	33,942,949	NA	5,465
2004	17,629,730	12,832,781	-	34,985,302	1592.68%	5,623
2003	18,237,361	13,336,878	34,002	35,226,419	1714.82%	5,641
2002	18,829,991	11,614,328	99,730	34,787,514	1723.40%	5,541
2001	19,397,622	8,231,132	162,262	32,557,357	1650.83%	5,151
2000	19,945,253	7,546,683	221,787	33,187,886	1776.62%	5,265
1999	23,972,884	2,756,201	-	32,277,140	1836.26%	5,206
1998	23,605,514	1,891,045	-	31,221,951	1888.70%	5,036

TABLE 10

**City of Bedford, Virginia**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 24,656,608	\$ 22,429,773	\$ 2,226,835	\$ 810,645	\$ 733,527	1.44
2006	20,417,640	17,356,493	3,061,147	562,631	577,968	2.68
2005	17,296,354	11,799,137	5,497,217	622,631	901,065	3.61
2004	16,640,083	13,242,106	3,397,977	607,631	921,345	2.22
2003	17,241,801	11,800,475	5,441,326	592,630	940,568	3.55
2002	16,516,255	10,503,715	6,012,540	567,631	958,346	3.94
2001	16,651,377	11,298,174	5,353,203	547,631	1,042,759	3.37
2000	16,652,149	10,942,876	5,709,273	537,631	987,945	3.74
1999	16,204,469	9,103,028	7,101,441	527,631	1,002,124	4.64
1998	15,214,253	12,345,937	2,868,316	752,631	1,285,638	1.41

**Notes:** Details regarding the City's outstanding debt can be found in the Notes to Financial Statements.  
Operating expenses do not include depreciation, interest, or amortization expenses.

**City of Bedford, Virginia**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended (1)</b>	<b>Population (2)</b>	<b>Total Personal Income (3)</b>	<b>Per Capita Personal Income</b>	<b>Public School Enrollment</b>	<b>Unemployment Rate (4)</b>
2007	6,200	NA	NA	888	3.60%
2006	6,200	NA	NA	902	4.00%
2005	6,211	\$ 2,304,368	\$ 32,333	914	4.40%
2004	6,222	2,196,637	31,317	936	4.70%
2003	6,245	2,054,229	29,761	946	4.70%
2002	6,278	2,018,540	29,622	943	5.00%
2001	6,320	1,972,182	29,205	986	4.00%
2000	6,303	1,868,032	27,898	972	2.50%
1999	6,200	1,757,761	26,731	993	2.00%
1998	6,200	1,653,096	25,525	1,004	2.50%

(1) Population and school enrollment figures are based on fiscal years ending June 30. Per Capita Income and unemployment figures are as of December 31.

(2) Source: Population Division, U.S. Census Bureau

(3) Source: Bureau of Economic Analysis, U.S. Department of Commerce - Bedford City & County combined

(4) Source: LAUS Unit and Bureau of Labor Statistics

NA = Not Available

TABLE 12

**City of Bedford, Virginia**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	Fiscal Year 2007			Fiscal Year 1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Bedford Memorial Hospital	360	1	9.87%	N/A		0.00%
Bedford Public Schools	318	2	8.71%	N/A		0.00%
Sam Moore Furniture LLC	287	3	7.87%	330	1	7.22%
Brooks Food Group/Golden West	182	4	4.99%	165	4	3.61%
Bedford Weaving Mills	143	5	3.92%	165	5	3.61%
Cintas	142	6	3.89%	100	7	2.19%
Frank Chervan	140	7	3.84%	210	2	4.60%
Smyth Companies Bedford	125	8	3.43%	185	3	4.05%
Elks National Home	87	9	2.38%	-		0.00%
Longwood Industries	67	10	1.84%	135	6	2.95%
Smithfield/Holbrook	-		0.00%	-		0.00%
Rubatex International	-		0.00%	N/A		0.00%
Wheelabrator Abrasives, Inc.	-		0.00%	47	8	1.03%
Parkway Steel Rule Cutting Dies				25	9	0.55%
	<u>1,851</u>		<u>50.74%</u>	<u>1,362</u>		<u>29.81%</u>

Source:



TABLE 13

**City of Bedford, Virginia**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government										
Executive	2	2	2	2	2	2	2	2	2	2
Treasurer	1	1	1	1	1	1	1	1	1	1
Personnel	-	2	2	2	2	2	1	1	1	1
Finance	6	5	7	7	6	6	7	7	7	7
Information Technology	1	2	-	-	-	-	-	-	-	-
Planning	5	5	5	5	5	5	4	4	4	4
Schools	8	8	8	8	8	8	8	8	7	9
Police										
Officers	28	29	22	22	22	22	22	22	21	21
Civilians	3	3	2	2	2	5	6	6	6	6
Fire	1	1	1	1	1	1	1	1	1	1
Public works	18	20	20	21	22	22	22	22	22	24
Engineering	2	2	2	2	2	2	2	2	2	2
Parks, recreation and cemeteries	10	10	10	10	10	9	9	9	9	9
Solid waste	5	5	5	5	4	4	4	4	4	-
Water	6	6	6	6	6	6	6	6	6	6
Wastewater	11	11	11	11	11	10	10	10	10	10
Electric	19	19	20	20	20	20	19	19	18	18
Total	126	131	124	125	124	125	124	124	121	121

TABLE 14

**City of Bedford, Virginia**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
General Government										
Fleet										
Pieces of equipment maintained	135	*	*	*	*	*	*	*	*	*
Public safety										
Police										
Physical arrests										
Parking violations	1,124	1,269	1,116	926	832	790	687	*	*	*
Traffic violations	2,432	2,601	989	1,434	1,269	1,395	895	1,228	1,844	*
Fire	1,842	2,288	1,339	1,440	1,396	1,265	954	*	*	*
Emergency responses - per calendar year	N/A	853	666	557	533	483	482	421	445	387
Public works										
Refuse collection										
Refuse collected (tons per day)	43	*	*	*	*	*	*	*	*	*
Recyclables collected (tons per day)	1	*	*	*	*	*	*	*	*	*
Other public works										
Street resurfacing (lane miles)	5.3	*	*	*	*	*	*	*	*	*
Parks, recreation and cultural										
Parks and recreation										
Tournaments hosted	1	1	1	2	-	1	-	-	-	-
Electric										
Number of customer accounts	6,919	6,340	6,444	6,214	6,647	6,574	6,301	6,589	*	*
Miles of distribution lines	350	350	350	350	350	350	350	300	*	*
Miles of transmission lines	28	28	28	28	28	28	28	26.5	*	*
Water										
Number of customer accounts	3,468	3,215	3,189	3,122	3,113	3,199	3,202	3,165	*	*
Miles of distribution lines	63	63	63	63	63	63	63	63	*	*
Volume pumped (million gallons per day average)	1.2	1.2	1.1	1.1	1.2	1.1	1.1	1.2	*	*
Sewer										
Number of customer accounts	2,842	2,568	2,590	2,530	2,559	2,591	2,601	2,562	*	*
Waste/Water treated (million gallons per day)	1.0	1.0	1.0	1.1	1.0	0.9	1.0	1.0	*	*

\* Information was not accumulated for these years and is not available at this time

NA - Information not available at this time

TABLE 15

**City of Bedford, Virginia**  
**Capital Asset and Infrastructure Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Public safety										
Law enforcement vehicles	19	19	17	16	16	16	16	16	16	15
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Primary streets (lane miles)	24.11	24.11	24.11	23.35	23.35	23.35	23.35	23.35	23.35	23.35
Secondary streets (lane miles)	66.47	66.47	66.47	64.45	64.45	64.45	64.45	64.45	64.45	64.45
Streetlights	875	875	835	835	808	788	788	770	*	*
Parks, recreation and cultural										
Community centers	1	1	1	1	1	1	1	1	1	1
Parks/athletic fields	12	12	12	12	12	12	12	12	12	12
Electric										
Substations	11	11	11	11	11	11	11	11	11	11
Transformers	3,210	3,210	*	*	*	*	*	*	*	*
Water and sewage										
Water treatment plants	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	65	65	63	63	63	63	63	63	*	*
Storm sewers (miles)	5	5	5	5	5	5	5	5	*	*
Sanitary sewers (miles)	47	47	46	46	46	46	46	46	*	*

**Source: Information was obtained from prior year audit reports.**

\* Information was not accumulated for these years and is not available.



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## **COMPLIANCE SECTION**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the City Council  
City of Bedford  
Bedford, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bedford, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the City of Bedford, Virginia's basic financial statements and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. **However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. **We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.**

- **A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, cemetery lot sales, landfill procedures, and cash disbursements.**
- **A fundamental concept of effective disbursement processing is that controls should be in place to prevent payments without invoices. The City's current controls are not effective in this regard.**
- **The City did not have adequate controls in place to properly record the liability related to the landfill at year end resulting in a material adjustment.**
- **Capital assets in the business-type activities and water and sewer fund were materially understated in prior years due to previously unrecorded developer contributions.**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. **However, we consider the significant deficiencies mentioned above to be material weaknesses.**

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*, which are described below:**

- **The Virginia Public Depository Act requires local governments to maintain deposits in qualified depositories as defined by the Virginia Department of Treasury. The City maintained certain certificates of deposit in non-qualified depositories.**
- **The Urban Manual for Highway Maintenance programs requires that disbursement claimed in relation to use of highway maintenance funds be used in a manner that meets the eligibility requirements of the manual. In our testing we noted two expenditures which were identified as related to highway maintenance on eligible streets, which were non-allowable. We also noted that certain expenditures do not have adequate documentation as to what street the expenditure is for, and thus we cannot determine whether the work was done on an eligible or ineligible street.**

We noted certain matters that we reported to management of the City, in a separate letter dated  
November 9, 2007.

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This report is intended solely for the information of the audit committee, management, City Council, state and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 9, 2007



## **CITY OF BEDFORD, VIRGINIA**

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### **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2007**

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

#### **STATE COMPLIANCE MATTERS**

##### **Code of Virginia:**

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Highway Maintenance

#### **LOCAL COMPLIANCE MATTERS**

City Charter

City Code